

12 February 2014 | 4QFY13 Results Review

Maxis Bhd

Keeping dividend commitment of 40sen per share

Maintain Neutral

Maintain Target Price (TP): RM7.19

INVESTMENT HIGHLIGHTS

- Marginal growth in normalised earnings of 2.2%, in-line with revenue growth of 1.3%
- High churn rate in its prepaid subscription lead to a shrinking customer base of 12.9m
- Yearly dividend declared maintain at 40sen per share
- Maintain Neutral with target price of RM7.19

Flat normalised earnings growth. For FY13, Maxis registered a reported earnings of RM1,765m, a decrease of -4.9%. However, after taking into account exceptional items amounting to RM325m, normalised earnings came in at RM2,090m. The exceptional items include Career Transition Scheme (RM107m), accelerated depreciation an changes in estimated asset useful lives (RM104m), home services' assets impairment/write-downs (RM65m) and provision for contract obligations (RM49m). This translates into a marginal increase in the normalised earnings of 2.2%.

Lackluster topline growth. Revenue grew by a mere 1.3% to RM9,084m. This is mainly supported by a 33.2% expansion in hubbing and device revenue of RM570m. On the other hand, service revenue was flat at RM8,514m, a decrease of 0.3%. This is mainly attributable to lower mobile revenue (-1.1%) resulting from lower voice/SMS despite mobile internet and data growth.

Smaller mobile customer base. Mobile subscription dropped by 8.5% to 12.9m. Of this, the prepaid segment contracted by 11.5% to 9.5m subscribers on the back of high churn rate. This is stemming from non-active and non-revenue generating Hotlink Youth Club SIM expiry & legacy plan. On the other hand, the postpaid subscriber based shown a marginal increase of 1.3% to 3.4m.

Shift to data continues. FY13 ARPU dropped to RM47/mth from RM48/mth in the previous year. There is a decline in ARPU rate across all segments. Meanwhile, blended MOU fell to 156 minutes from 160 minutes in FY12. This is mainly stemming from the postpaid segments which dwindled by 8.8% to 330minutes.

RETURN STATS

Price (12 February 2013)	RM6.96
Target Price	RM7.19
Expected Share Price Return	+3.3%
Expected Dividend Yield	+5.7%
Expected Total Return	+9.0%

STOCK INFO

KLCI	1,824.17
Bursa / Bloomberg	6012 / MAXIS MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	7,500.6
Par Value (RM)	0.10
Market cap. (RM'm)	52,229.4
Price over NA	8.3x
52-wk price Range	RM6.25 – RM7.32
Beta (against KLCI)	0.8
3-mth Avg Daily Vol	4.7m
3-mth Avg Daily Value	RM33.4m
Major Shareholders (%)	
Binariang GSM	64.96
ASB	8.00
EPF	6.33

Declared dividend of 8sen per share. Cumulatively, this brings the dividend declared for 2013 to 40sen in-line with that in 2012. Moving forward, we expect similar quantum to be declared.

Slight earnings downgrade. We are tweaking downwards our earnings estimate for FY14 by -5.1% after incorporating FY13 results and assuming slightly lower profit margin of 22.1% (previously 23.5%) for FY14. This is in view of heightened competition with its peers.

Maintain NEUTRAL recommendation. With no near term stock price catalysts, we maintain our Neutral recommendation on Maxis. We believe the company is currently in incubation period. Also, both ARPU and mobile subscriptions was down signalling intense competition in the industry. However, the company remains an attractive dividend stock with yield of more than 5%. We reiterate our target price of RM7.19 based on DDM valuation methodology.



DIVIDEND DISCOUNT MODEL ASSUMPTIONS

Expected market return	10%
Risk free rate	3.8%
Beta	0.8
Terminal growth	1%
Required rate of return	7.9%

INVESTMENT STATISTICS

	2012	2013	2014E	2015F
Revenue	8,967	9,084	9,584	9,871
Normalised EBITDA	4,359	4,522	4,697	4,992
EBITDA	4,227	4,310	4,697	4,992
Operating Profit	2,864	2,825	3,263	3,485
Net Profit after MI	1,861	1,772	2,114	2,272
Normalised net profit after MI	2,045	2,090	2,114	2,272
Normalised EPS (sen)	27.3	27.9	28.2	30.3
EPS Growth (%)	-19.2	2.2	1.1	7.5
PER (x)	25.5	25.0	24.7	23.0
Net dividend (sen)	40	40	40	40
Net dividend yield (%)	5.7	5.7	5.7	5.7

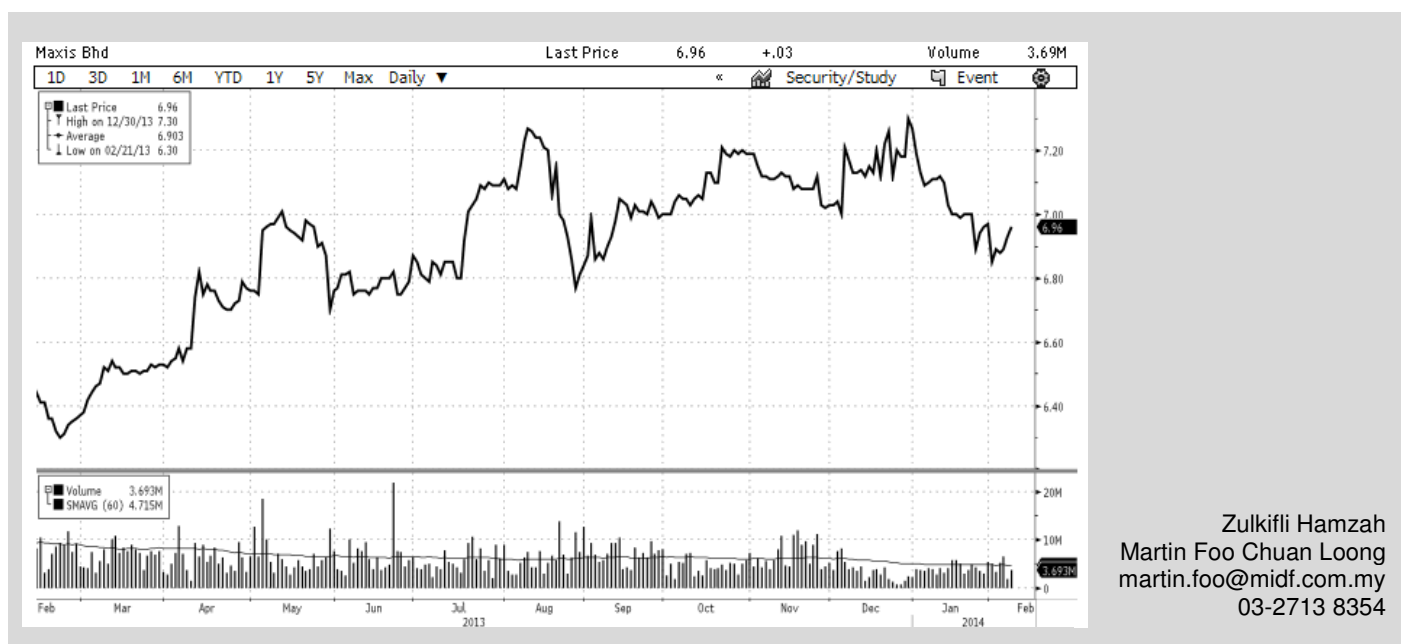
Source: Company, MIDFR

4QFY13 RESULTS SUMMARY

(All in RM'm unless stated otherwise)	Quarterly Results			Full Year	
	4Q13	% YoY	% QoQ	2013	%
FYE Dec					
Revenue	2,224	-4	-1	9,084	1
Normalised EBITDA	1,081	-4	-6	4,522	4
EBITDA	971	-9	-8	4,310	-1
Depreciation and amortisation	-353	-19	17	-1,366	0
Others	-103	nm	nm	-119	nm
EBIT	515	-17	-31	2,825	-1
Finance costs	-93	6	4	-358	6
Finance income	6	-45	-14	29	-43
PBT	428	-22	-36	2,496	-3
Taxation	-136	-20	-30	-724	1
PAT	292	-23	-38	1,772	-5
Normalised PAT*	466	-2	-15	2,097	2
MI	-2	nm	nm	-7	nm
Normalised PATAMI	464	-2	-15	2,090	2
Normalised EPS (sen)	6	-2	-15	28	2
		+/- ppts	+/- ppts		+/- ppts
Normalised EBITDA margin (%)	49	0	-3	50	1
Normalised PATAMI margin (%)	21	0	-4	23	0
Effective tax rate (%)	32	1	3	29	1

Source: Company, MIDFR

DAILY PRICE CHART



Zulkifli Hamzah
 Martin Foo Chuan Loong
 martin.foo@midf.com.my
 03-2713 8354

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.